

BLAINE AND CYNTHIA JACOBSON FAMILY TRUST,

Appellant,

V.

ADA COUNTY,

Respondent.

APPEAL NO. 20-A-1056

FINAL DECISION AND ORDER

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Ada County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. R7475870080. The appeal concerns the 2020 tax year.

This matter came on for telephonic hearing October 15, 2020, before Board Member Leland Heinrich. Trust Manager Blaine Jacobson appeared at hearing for Appellant. Chief Deputy Assessor Brad Smith represented Respondent.

Board Members Leland Heinrich, David Kinghorn, and Kenneth Nuhn join in issuing this decision.

The issue on appeal concerns the market value of an improved residential property.

The decision of the Ada County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$600,000, and the improvements' value is \$663,700, totaling \$1,263,700. Appellant contends the correct land value is \$500,000, and the improvements' value is \$700,000, totaling \$1,200,000.

The subject property is a .58 acre lot situated in what is commonly referred to as “The Island” in the River Run subdivision located in Boise, Idaho. The Island is surrounded by two (2) creeks and the Boise River. The subject property is improved with a five (5) bedroom, four

(4) bathroom residence constructed in 1991. The two (2) story residence totals 4,060 square feet in size and includes an attached 1,072 square foot garage.

Appellant noted subject's subdivision consists of thirty-eight (38) parcels. Appellant reported thirty-four (34) owners in the development appealed their 2020 assessments to the Ada County Board of Equalization (BOE). In response, the BOE scheduled a special meeting to review land values on The Island and subsequently ordered all land values in the development be reduced. Subject's land value was lowered from \$713,000 to \$600,000.

Regarding the subject residence, Appellant pointed out it is twenty-nine (29) years old with an odd ground floor design, in which there are different levels throughout with a few steps either up or down to access the different areas. Appellant also noted the residence has had minimal updating since it was constructed, whereas many residences in the development have been notably remodeled and modernized. In addition, the subject property is restricted by a thirty-five (35) foot setback requirement, compared to other properties with ten (10) foot setbacks. Subject's larger setback restrictions limit the property's potential development options. Appellant further pointed out subject's street was added to the Boise River flood plain by FEMA in late 2019. In Appellant's view, these various negative attributes reduce subject's marketability and thus the market value.

For value evidence, Appellant offered four (4) separate appraisals of the subject property. The first appraisal, with an effective date of valuation of January 1, 2020, examined five (5) recent sales, several of which were located in a different, non-gated phase of the River Run subdivision. The sale residences were generally similar to subject in terms of square footage, age, design, and quality of construction. Sale prices ranged from \$855,000 to

\$1,750,000. Each sale property was directly compared to the subject property, and adjustments were made for differences in property characteristics. After adjustments, the appraisal determined adjusted prices ranging from \$1,047,300 to \$1,294,500 and concluded a value of \$1,150,000 for the subject property.

The second appraisal report was a computer-generated appraisal. This appraisal did not include a physical inspection of the subject property, nor did the report provide any details concerning sales which may have been considered in the analysis. This appraisal concluded a value of \$1,000,000 for the subject property as of March 10, 2020.

The third appraisal followed the more traditional fee appraisal process, including a physical inspection of the subject property. This appraisal utilized three (3) sales to develop a final value opinion, two (2) of which were also included in the January appraisal above. The sale residences were roughly similar to subject's in age, square footage, design, quality, and condition. Sale prices ranged from \$1,125,000 to \$1,200,000. After adjustments, primarily for lot size and date of sale, the appraisal determined adjusted prices ranging from \$1,168,500 to \$1,315,400. A value of \$1,250,000 was concluded for the subject property as of July 20, 2020.

The fourth appraisal was again a computer-generated report. No inspection of the subject property occurred for this appraisal, nor were any details provided concerning the information used to generate the \$999,999 value estimate for subject as of September 21, 2020.

Respondent identified issues with all four (4) appraisals offered by Appellant. With respect to the January appraisal, Respondent pointed out the adjustments were applied

somewhat inconsistently. Most concerning in Respondent's view were the lack of any time adjustments and the minimal adjustments for location. The two (2) computer-generated appraisals were criticized for the failure to use accepted appraisal techniques, as well as the general lack of detail concerning the inputs into the respective computer models. Lastly, Respondent argued the July 2020, appraisal should be disregarded, as it occurred seven (7) months after the January 1, 2020, date of assessment and was therefore untimely.

In addition to the four (4) appraisal reports, Appellant also provided an analysis of assessed values in an effort to highlight different trending rates applied to different phases of River Run, as well as other subdivisions. The data indicated The Island saw the highest percentage change in assessed values for 2020, at 25.88%. Subject's subdivision also realized the highest average value change over the prior five (5) year period, at 11.79%. Appellant contended trending was not equally applied to the subdivisions included in the analysis and questioned why subject's development saw the largest increases. Respondent explained market trending is neighborhood-specific based on sales from each individual defined neighborhood, not a blanket trend factor applied broadly across the city or county. Respondent stressed The Island is a premiere highly-desired neighborhood, and sales specifically from The Island were used to trend values in the neighborhood.

In discussing subject's current valuation, Respondent highlighted the exclusivity of The Island compared to other phases of the River Run subdivision. It was noted The Island is a gated community with a community pool, clubhouse, and tennis courts. Respondent further highlighted the development consists of only thirty-four (34) parcels with direct private access to the greenbelt, whereas other phases of River Run are comprised of hundreds of parcels and

are non-gated developments with no private greenbelt access. Subject's location featured prominently in Respondent's consideration of the current valuation.

To support the general trending applied to subject's development, Respondent provided information on three (3) sales from The Island on subject's same street which occurred during 2019. The first sale concerned a 4,802 square foot two (2) story residence which sold for \$1,750,000. This sale was also included in the January 2020 fee appraisal offered by Appellant. The assessed value of this property at the time of sale was \$1,249,000, or 29% below the purchase price. After trending, the 2020 assessed value increased to \$1,575,700, which was still 10% below the sale price. The second sale property was a 4,634 square foot two (2) story residence. This sale actually involved two (2) parcels: the main house parcel located within The Island and a secondary .38 acre parcel across the creek in a different subdivision upon which is a 1,500 square foot garage with 1,070 square feet of upper-level living space. This property sold for \$1,900,000, or 10% higher than the assessed value of \$1,723,700 at the time of sale. After trending, the 2020 assessed value was 6% above the sale price, at \$2,026,200. The third sale concerned a 10,000 square foot two (2) story residence with a basement. This property sold for \$3,400,000, or 27% above the 2019 assessed value of \$2,483,000. After trending, the 2020 assessed value for this property was \$3,146,300, or 7% below the purchase price. As each of these three (3) sale prices were above the respective assessed values at the time of sale, Respondent maintained the trending applied to properties in The Island was appropriate to bring values up to current market levels.

In terms of specific value evidence in support of subject's valuation, Respondent developed a sales comparison model utilizing five (5) sales, three (3) of which were also

included in Appellant's January 2020 appraisal report. The sale residences were generally similar to the subject residence in terms of square footage, age, and two (2) story design. Though three (3) of the sale properties were located in gated communities, only Sale No. 1 was located in subject's subdivision. Sale prices ranged from \$1,125,000 to \$1,750,000. Each sale property was compared to subject, and appraisal adjustments were made for differences in property characteristics such as square footage, bathroom and fireplace count, private pools, and location. The most notable adjustment was for location, which adjustment also included differences in lot size and amenities compared to the subject property. Respondent determined adjusted sale prices ranging from \$1,350,225 to \$1,712,900 and concluded a value of \$1,462,300 for the subject property based on the adjusted sale prices. Subject's current assessed value is \$1,263,700.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of market value in fee simple interest, or, as applicable, a property's exempt status. This Board, giving full opportunity for all arguments and having considered all the testimony and documentary evidence submitted by the parties, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2020, in this case. Market value is always estimated as of a precise point in time. Idaho Code § 63-201 provides the following definition,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Market value is estimated according to recognized appraisal methods and techniques. The three (3) primary approaches to value include the sales comparison approach, the cost approach, and the income approach. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential property is commonly valued using the sales comparison approach, which in basic terms compares recent sales of similar property to the subject property and considers adjustments for differences in property characteristics.

Both parties provided sales comparison analyses, as well as other evidence in support of their respective value positions. The parties' efforts in this regard were much appreciated by the Board. Before examining the parties' valuation models, the Board will first address the assessment data furnished by Appellant. While the Board understands Appellant's concerns with respect to a different trend factor being applied to subject's subdivision compared to other neighborhoods, a comparison of assessed values is not a recognized appraisal approach. Further, it is a well-established principle in appraisal that location is a key determinant of value. As such, it is not only unsurprising to see neighborhoods trended at different rates, it is expected. Based on the recent sales activity from subject's specific subdivision, it was apparent to the Board values in the development needed to be increased for 2020 to reflect current market levels. In short, the Board did not find subject, or subject's neighborhood, was assessed inequitably with respect to the trending applied for the 2020 assessment year.

Turning now to the appraisals offered by Appellant, the Board identified some concerns. First, the two (2) computer-generated appraisals were not found to be reliable indicators of subject's market value, as neither appraisal included an inspection of the subject property, provided details about the analysis performed, or indicated what data was used to generate

the respective value conclusions. Accordingly, little weight was afforded the computer-generated appraisals.

As for Appellant's July 2020 fee appraisal, the Board likewise did not place much emphasis on the value conclusion, because the effective date of the appraisal was seven (7) months after the controlling January 1, 2020, assessment date. An appraisal is a value estimate as of a specific point in time. This necessarily requires consideration of market data which existed as of the date of valuation. Sales and analysis occurring after the date of valuation are therefore untimely, because such information would not be known to buyers and sellers who are setting market value leading up to the valuation date.

What remains in terms of value evidence are Appellant's January 2020 fee appraisal and Respondent's sales analysis, both of which utilized the sales comparison approach. Of particular note were the five (5) sales included in both valuation models, four (4) of which were used by both Appellant and Respondent. For the most part, both models applied modest adjustments to the sales. The primary differences in the parties' respective analyses were in the adjustments for location, time of sale, construction quality, and condition. Respondent's analysis did not make adjustments for construction quality or condition; however, it did make adjustments for time of sale and notable adjustments for location. By contrast, Appellant's appraisal report applied no time adjustments and minimal location adjustments, but it did apply heavy condition and construction quality adjustments. Interestingly, the parties' respective valuation models included similar levels of gross adjustments to the sales on a percentage basis. While the argument could be made in favor of applying location and time adjustments to the fee appraisal's analysis and construction quality and condition adjustments to

Respondent's model, appraisal is ultimately a question of the appraiser's judgment based on the available sales and other relevant market data. It would be improper to substitute one appraiser's judgment for another's and change the valuation model accordingly.

On the whole, both parties' analyses were found to generally be reasonable and consistent with accepted appraisal practice. In this case, Appellant's appraisal concluded a value of \$1,150,000 for the subject property, and Respondent's analysis concluded a value of \$1,462,300, which suggests a fairly narrow range of indicated value for subject. With an assessed value of \$1,263,700, subject's current valuation is on the lower end of the range indicated by the two (2) valuation models, which is reasonable in the Board's judgment.

In appeals to this Board, the Appellant bears the burden of demonstrating subject's valuation is erroneous by a preponderance of the evidence. Idaho Code § 63-511. Given the record in this matter, the Board did not find the burden of proof satisfied. Both parties presented timely, relevant market data and accompanying analyses, which suggested a relatively tight range of indicated value. As there were no glaring errors in either party's analyses, and subject's assessed value sits well within the range indicated by the parties' respective valuation models, the Board ultimately found subject's current assessed value to be supported by the evidence presented. Accordingly, the decision of the Ada County Board of Equalization is affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Ada County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 1st day of February, 2020.